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AUTHOR David, Anna
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ABSTRACT

Partnerships between schools and the private sector as an alternative to increased taxes and service cuts are examined in this document. The introduction provides an overview of business involvement in U.S. education. The second section describes the private provision of infrastructure and types of school-business arrangements. Examples include the Education Alternatives, Inc. (EAI) partnership with Dade County; Mall of America with Minnesota school districts; MacDonald Research with Milwaukee Public Schools; Dade County's satellite schools; and Chicago's Corporate/Community School of America. The third section describes curriculum public-private partnerships, which take the form of private-practice teaching, charter schools, and Ombudsman Educational Service's alternative education programs. The fourth section examines methods of private-sector financing: business-funded voucher programs; the New American Schools Development Corporation; the Edison Project; and Boston University in partnership with Chelsea Public Schools. A conclusion is that given the tight fiscal constraints faced by many U.S. school districts, the potential for public-private partnerships in education is great. States should examine those forms of partnerships that offer mechanisms for ensuring accountability, including contracting out some instructional services, introducing charter legislation, allowing interdistrict school choice, promoting private provision of infrastructure, and contracting out private-school management. One table is included. (Contains 36 references.) (LMI)

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3415
S. Sepulveda Blvd.
Suite 400
Los Angeles
CA 90034
(310) 391-2245

PUBLIC-PRIVATE PARTNERSHIPS: THE PRIVATE SECTOR AND INNOVATION IN EDUCATION

by
Anna David
Special Consultant to the Reason Foundation

EXECUTIVE SUMMARY

The U.S. public education system is in trouble. While elementary and secondary school enrollments continue to rise, states are struggling just to prevent an existing deficit from widening. Meanwhile, overall education expenditures are sky-rocketing. At $600 billion, or 12 percent of Gross National Product (GNP), the United States spends more on education than do most competitor countries whose students outperform U.S. students on standardized tests.[1]

Continually rising costs, coupled with constraints on revenues, leave many school districts with few options other than to cut back expenditures on classes, teachers, teachers' salaries, and infrastructure; or to raise money through additional taxes. Neither option is desirable nor simple to implement.

There is, however, a third viable option—partnerships between the public schools and the private sector—that may alleviate some of the pressures on school districts, enabling them to continue to provide vital services and infrastructure.

For many years, school districts have contracted out ancillary services (for example, transportation, maintenance, labor negotiations, and data processing), saving 20 to 30 percent in operating costs. Current patterns in private provision of school lunch programs, for example, suggest 30 percent growth per year during the next 10 years.[2] Today, building from these successful partnerships, a growing number of school districts are expanding the concept to more fundamental education services. The key areas that offer state officials opportunities to realize cost savings through privatization and contracting out are: 1) infrastructure and 2) curriculum.

The emergence of diverse privatization responses to inadequate public resources, coupled with some legislative restructuring (school choice and open enrollment plans) in public schools, has already resulted in substantial cost savings. Satellite

schools, for example, in Dade County, Florida, save the district between $7 million and $15 million each time three small satellites are opened in office buildings or untenanted office parks. A partnership between Minnesota's Mall of America and five school districts saved the state $15 million in set-up costs alone.

Financing options offered by the private sector are varied and flexible. Some require an open enrollment or school choice plan; others depend on private philanthropy; still others depend on the willingness of school districts to contract out in areas traditionally met by the districts themselves.

School districts could further explore savings potential from public/private partnerships, as an alternative to increased taxes and service cuts and in response to growing school enrollments and increasing costs.

I. INTRODUCTION

The effectiveness of previous private involvement in education has been limited and is gradually being replaced by more far-reaching privatization of infrastructure and curriculum. Privatization could provide an appropriate response to public education offering opportunities both for reducing costs and infusing private-sector funds into the education system. Total U.S. spending on education has grown an estimated 25 percent since 1989.[3] Of the $600 billion, $213 billion is spent on public elementary to secondary education, a sum that is also rising. Between 1960 and 1989, per pupil elementary and secondary school expenditures rose 191 percent in inflation-adjusted 1988 dollars.[4]

The federal share represents 8 percent of total education spending; with primary responsibility for education funding met by state and local governments. From 1970 to 1988, state funding of elementary and secondary education jumped to 49.5 percent from 46.8 percent of total funding.[5] Property-tax relief efforts and calls for more equitable funding across rich and poor school districts have increasingly led states to pick up a greater percentage of education costs.[6]

At the same time, public elementary and secondary school enrollment, which rose by 2 percent in the late 1980s, is expected to accelerate to 8 percent annually to 1995.[7] This will place unprecedented pressure for space on all public schools, but will be particularly severe in overcrowded, urban schools.

The education establishment began calling for corporate "investment" in education about 20 years ago, despite rapidly increasing government expenditure in education since the 1930s (Between 1930 and 1987 total real expenditures per pupil in American public schools rose by 500 percent after inflation adjustment).[8] Many business organizations then perceived opportunities to influence the quality of future workers and saw significant public-relations value in partnerships with the public schools. Businesses have since entered into public-private partnerships, adopted schools, and formed compacts to encourage improved performance.

By 1989-90, more than half (51 percent) of all school districts in the United States had entered into public-private partnerships, involving about 2.6 million volunteers, with an estimated value of $225 million, an increase of 125 percent since 1986.[9] About 30 million, or 65 percent of all students in 1989-90, attended schools in districts that had partnerships with business. According to the U.S. Department of Education, about 50 percent of these partnerships involve the donation of goods and services; 25 percent the donation of money; and 25 percent a combination of goods, services, and money.[10]

Business has given enormous amounts of money to education but has rarely known what, if any, good it has done. A survey by SchoolMatch, an Ohio-based consulting firm that matches businesses with schools, shows that a majority of companies that give financial resources to schools have had little idea of the outcomes of that investment in the past.

Patrick J. Keleher, president of Chicago's TEACH America, a citizens' education reform group notes that, "For some strange reason, business leaders seem to have been mesmerized by the titles, by the jargon, and perhaps the flag-waving that comes out of the incredibly powerful education establishment."

But that's changing. In the context of increasing financial contributions to education, and an estimated 200,000 public-private partnerships (up from 40,000 in 1983).[11]

The private sector is starting to seek a return on its investment. And corporate leaders have begun to indicate impatience with "feel good" partnerships that have done little to improve overall student performance.

Keleher criticizes business for not having been as critical as it could, "by not applying its skills, performance expectations and standards where appropriate to education, by permitting education to operate as an artificial social construct without genuine market constraints (that is, as a monopoly), by not insisting on a return on its massive education investment with payback in the form of increased academic achievement, by waiving cost/benefit justifications where education is concerned, by relying too often on education advisors hand-picked by the establishment, then accepting without challenge their carefully selected and strained statistics. By all these practices, business is failing to provide the economic reality-check that education in this country so desperately needs."[12]

Since the 1970s partnership programs have included:

- Join-a-School or Adopt-a-School programs;
- Loaned executive programs, where corporate executives work in specialized areas such as administration, staff development, or resource management;
- Curriculum renewal programs, where corporate executives work with educators to develop curricula that reflects private-sector technology, standards and practice;
- Mentor programs, where professionals have linked with individual students;
- Donation of equipment to schools;
- Programs between business and intermediary organizations to raise awareness, or improve particular courses.

However, since the early days of partnerships and adopt-a-school programs, enthusiasm has waned. In a 1990 survey conducted by *Fortune* magazine, 55 percent of corporate leaders who have given money or in-kind donations say their contribution has made little if any difference.[13] Business's involvement in the public schools was not born of altruism; rather it emerged from the need for educated and educable workers. That involvement has prompted industry to think about education differently—as an opportunity for entrepreneurship, innovation, competition, and compensation based on productivity.

In addition, business involvement in education has begun to stimulate major reform as business becomes a recognized participant in education policy making. David Kearns, former Xerox CEO and author, with Denis Doyle, of *Winning the Brain Race: A Bold Plan to Make Our Schools Competitive*, says of business's involvement in public education: "The task before us is the restructuring of our entire public school system. I don't mean tinkering. I don't mean piecemeal changes or even well-intentioned reforms. I mean the total restructuring of our schools."

In contrast to most public-private partnerships of the last two decades, many new-generation partnerships profiled in this study require strong accountability, with corporate contributions tied to educational achievement. As a result, they are more likely to provide real benefits in education.

These partnerships have the advantage of being applicable to most school systems. Perhaps more importantly, in states such as Minnesota where public-school choice or open-enrollment plans have been introduced, public-private partnerships have been highly effective in directing private resources to public-education needs.

II. INFRASTRUCTURE PRIVATIZATION

Private provision of infrastructure may be one of the more politically acceptable methods of private-sector involvement in education, since neither teachers nor students are directly involved. School districts are struggling to raise money to maintain existing buildings and to build new schools in order to keep up with increasing enrollment. In California, for example, the backlog in public school infrastructure needs in 1992 is estimated at around $5 billion. A 1983 survey showed that the average school in the United States was built in the mid-1940s. In older urban school districts, almost 50 percent of facilities are 60 years or older.[14]

Public-private partnerships in public-education infrastructure take a number of forms and provide one response to the significant infrastructure needs in U.S. public schools. The private sector can form partnerships with schools by:

- Providing classroom space, buildings, or land;
- Furnishing or equipping existing classroom space;
- Providing equipment;
- Providing maintenance services and utilities;
- Providing teaching programs;
- Managing schools or school districts;
- Negotiating management deals that include provision of infrastructure after a certain time period.

A. *Education Alternatives Inc, in Partnership with Public Schools*

In June 1990, Education Alternatives Inc. (EAI) was awarded a contract with the fourth-largest school district in the country, Florida's Dade County, to manage the 800-pupil South Pointe

Elementary School. Part of an unprecedented district-wide experiment in public-school restructuring begun in 1987 and known as the Saturn Schools program, the competition aimed to elicit innovative ways to run Dade's schools. One of the many proposals considered was the option of private management, and only after consultation between the administration, school board members, the superintendent, the University of Miami, and the teachers' union, did the County decide to enter into the partnership with EAI.

EAI is a private management and consulting company specializing in education. It entered the competition convinced that U.S. public schools could benefit from being run like businesses. Under a five-year, $1.2 million contract, EAI will manage South Pointe Elementary School in what is the first such business/public-school partnership in the country, and the only school in the Saturn program run by a private firm.

In mid-June, 1992, Education Alternatives Inc. signed its second major management contract with Baltimore Public Schools. EAI will run eight elementary schools and one middle school, all situated in poor, urban communities. As with the Dade County contract, EAI will use its own education model, Tesseract. In addition, the company will implement a smaller student-teacher ratio, continued teacher training, and increased use of technology.

In its agreement with the Baltimore public schools, KPMG Peat Marwick and Johnson Controls World Service, a unit of Johnson Controls Inc., will join EAI. Peat Marwick will look at putting in an improved accounting system; Johnson Controls will consider trimming non-instructional costs. The alliance also hopes to make money by using the school buildings for other purposes such as day care.

According to EAI, the profit will be split evenly between the school district and the three-company venture. Under the proposed five-year contract, EAI will receive the average annual per-pupil cost, currently $5,415. In return, the company will be required to produce measurable gains in student test scores (EAI expects these to be at or above grade level within five years).

A similar, but temporary, pilot contract between EAI and Duluth County Public Schools in Minnesota was the first time a for-profit company had run an entire school district. During the three-month, $40,000 contract, EAI was to serve as interim superintendent of 26 schools that included 1,150 administrators, and 1,100 teachers.

Facilities and (union) staff are provided by the public school system (in the case of Dade County, intern teachers are provided by the University of Miami); the teaching program by EAI. EAI Chairman John Golle estimates the partnerships will reduce operating and administration spending by 25 percent, enabling EAI to reinvest 20 percent back into the classroom—and make a 5-percent profit. The 25-percent savings, he says, will come from reductions in nonclassroom expenditures. Two recent studies demonstrate that the bulk of public education funds never reach the classroom.

In a 1990 study, Fordham University Professor of Education, Bruce S. Cooper and doctoral candidate Robert Sarrel, tracked the allocation of funds to New York City's 116 public high schools. They found that of the average $6,107 spent per pupil in 1989, $2,969 went to the Board of Education and administration. The remaining $3,138 did filter down to the individual schools, but Cooper found, on average, $1,166 went to "nonclassroom" expenses. That left only $1,972 for the high school classroom, which includes teachers' salaries, teachers' aids, books and supplies.[15] The 1990 study found that the New York City system employed 3,930 administrators, or one for every 243 students. This compares with New York City's Catholic schools that employ 33 administrators to manage 110,000 students. Of the 119,258 people employed by the board in 1989, only 64,707 (54 percent) were teachers.

A similar study by Michael Fischer, a Milwaukee Public Schools elementary teacher, found that of the $6,451 spent per pupil in 1989, 26 percent reached the classroom—teacher's salary and benefits, books, supplies, furniture, equipment. A further quarter is spent on operating costs in the school (food, maintenance, utilities, salaries for non-teaching staff), while the remaining half is spent on administration.[16] Milwaukee Public Schools, reports the study, spend $0.21 per elementary pupil per year on science supplies and books; $65 per elementary pupil for all supplies, materials, books, furniture and equipment; $800 per pupil for transportation; and $943 per pupil for administration.

One example of misallocated resources is pay levels for custodians in New York City schools. In 1991, the average custodial wage was $58,000 a year, more than the teacher's top scale pay of $52,750.[17] This indicates that school districts may not have proper incentives to purchase cost-effective services. EAI president David Bennett says school districts typically pay far more for custodians, secretaries, and food-service workers than people in those occupations receive in the private sector—50 to 100 percent more.[18] EAI has experience operating schools from its own two private schools in Egan, Minnesota and Paradise Valley, Arizona.

B. Mall of America in Partnership with Minnesota School Districts

Five Twin Cities-area school districts and the Minnesota-based Mall of America management recently formed a partnership that will enable up to 500 kindergarten to third-grade public-school students to attend classes inside the 4.2-million-square-foot Bloomington shopping complex. The Metropolitan Learning Alliance (MLA) project will initially attract children of the 10,000 mall workers, but also aims to provide child care, high-school work programs, and adult education.

The alliance arose out of Minnesota's open-enrollment policy, a state-wide interdistrict program that enables parents to send their children to any public school they choose, restricted only by racial guidelines and available seats. State funds then follow the children to the place of learning.

Due to the open-enrollment policy, pupils in any of the five partner districts may attend the mall school, bringing with them $3,000 to $4,000 in state aid. Classroom space is provided by the Mall of America at nominal rates to the school districts, while maintenance and utilities are met jointly by the developers, corporations, businesses, private grants, and foundations. A board of trustees, including representatives from the five districts, manages the school. MLA estimates that $3 million is needed in grants and donations over the next three years, in order to develop the classrooms and equip the 40,000 to 60,000 square feet made available at the mall. The participating districts have not built a new school in more than 15 years, although MLA spokesman Jim Stewart estimates typical costs for just one new school at between $8 million and $15 million. In addition, innovative mall features such as an aquarium and recycling compound will be made available to MLA, as well as to any other school in the five districts.

In May 1992, MLA hired three school-design consultants who will draw up specific cost/benefit analyses of the mall school, depending on the initial scale upon the school's opening this fall. In the meantime, MLA expects that the main benefits to students, local employers, and the five participating districts will include:

- Strong parental involvement before, during, and after work;
- Research and experience which can then be incorporated into the school districts;
- Individualized instruction;
- The ability to accommodate unusual work schedules;
- A vocational link between high school and work;
- Facilities to train students and offer employee skills enhancement for specific local industries.

Similarly, in another example, two corporate sponsors, IDS Financial Services, Inc. and Northern States Power Co., each contribute $100,000 a year to cover construction costs, and rent and utilities at the Downtown Open School, housed in a Minneapolis office building.

C. MacDonald Research in Partnership with Milwaukee Public Schools

Science instruction in the United States is limited. For example, 29.3 percent of the country's 24,256 high schools do not offer physics as a subject. Of those schools that do offer physics, only 10.7 percent are able to support a full-time physics teacher. In addition, only one in three of all teachers has completed a college chemistry course, and one in five a college physics course. Figures at elementary levels are even worse. But schools that lack adequate science teachers do not usually seek out contractors to provide instruction. Instead, physics courses are either not offered, or are allocated to teachers in other subject areas.[19]

Further, in an evaluation of science achievement in elementary and secondary schools, the United States finished in the lower half of all nations at all grade levels. The United States finished 8th of 15 at the fifth-grade level, 14th of 17 at the eighth-grade level, and 13th of 13 at the high-school level. Compared to international science achievement levels, the United States is not competing successfully with its foreign economic counterparts.[20]

To address this, the Milwaukee Public Schools early in 1992 signed a contract with the nonprofit arm of MacDonald Research, the Wisconsin Institute of Science and Technology (WIST), to develop a pilot program for students in grades four to eight at eight elementary schools. The program includes a touring mobile science laboratory, a central equipment resource, a mentor program for teachers and students, and summer workshops designed to aid science teachers. The cost of the program is estimated at $6,250 per year, per school if shared by eight schools.

The mentor's goal is to assist the classroom teacher with the additional curriculum material and equipment, a design that has won the approval of the teachers' union in Milwaukee. Although marketed as a supplement to the existing curriculum, WIST provides schools with the use of laboratory equipment valued at more than $350,000, and negates the need for additional full-time administrative or teaching staff through its mentor and teacher-training programs.

D. *Dade County's Satellite Schools in partnership with businesses*

In the late 1980s the rapidly expanding Dade County school system began moving into nearby corporate facilities. The first public-school classroom in a private workplace opened on the premises of the American Bankers Insurance Group (ABIG) in 1987. The concept was the result of a conversation between the then-superintendent of Dade County Public Schools Joseph Fernandez and ABIG, whose management was attempting to improve employee attendance and retention. In the school's first year, 25 kindergarten students were taught in a portable classroom. The following year, ABIG built a 6,000-square-foot building with three classrooms, offices, assembly area, clinic, and conference room at a cost of $375,000 and further elementary grades were added.

Short of classroom space, Dade County continued exploring the use of nontraditional classroom settings for a series of what have become known as the satellite schools.

Dade County provides teachers, books, and furniture, while the partner company pays for maintenance and utilities. The County estimates this saves the district $50,000 per classroom, per year in maintenance and utilities. In addition, the equivalent of ten traditional classrooms in the satellite learning centers save the district the approximate $10 million cost of a new elementary school (including central buildings and facilities). The satellites also ease overcrowding in local public schools, and transportation costs, since children travel to work with their parents.

Local employers have documented a "substantial" decline in absenteeism, tardiness, and the turnover rate among parents whose children are enrolled in satellite learning centers. For example, at ABIG, company-wide turnover was 15.5 percent in 1990. Among "parent employees," those with children at the ABIG center, turnover was 9.5 percent. In 1991, company-wide turnover was 12.5 percent; parent employees 9 percent. In 1990 the average company-wide absence over and above the benefits package was 5 days; among parent employees it was 1.3 days. And in a 1991 survey of company supervisors, parent employees ranked top in punctuality, attendance, productivity, and in general rating as employees.[21]

Additional satellite schools have since opened at Miami International Airport and at Miami-Dade Community College. While the County believes the 1991-92 recession halted the plans of several organizations to also open satellite schools, two more are planned to open in hospitals at the end of 1992 and the beginning of 1993.

Dade receives more inquiries from local hospitals than from other organizations. In the competition to recruit and retain nurses in Miami, hospitals are marketing benefits to staff more aggressively and are offering the kinds of facilities, such as on-site schooling, that will help them achieve and maintain necessary staffing levels. Dade County Public Schools is also marketing the satellite schools concept to other large insurance companies and to shopping centers. Schools in Rapid Transit facilities are also planned to open within the next five years; several terminals exist outside city limits where each day more than 2,000 cars wait while their owners participate in the city's "park and ride" scheme. In all of these examples, schools will be open longer hours to match the workday and commute time of parents.

For employees, satellites address many of the challenges that working parents face: transporting children to school, becoming more involved in school activities, and spending more time with their children.

E. Chicago's C/CSA Partnership: Educators, Community Leaders and Businesses

Some of the more innovative forms of business participation in education reform are those that capitalize on business expertise. Corporate "academies" that focus on various specific aspects of business education have cropped up recently, often as a result of employers' increasing dissatisfaction with the available workforce and a desire to garner promising high-school graduates.

American Express has established finance academies in partnerships with public schools; Burger King set up an academy program to prepare youngsters for work in the restaurant industry. These academies provide an opportunity for integrated education and employment, and also offer scholarships for further education. The emphasis is placed on accountability and performance, with rewards in the form of employment and scholarships for successful performance.

One of the most ambitious corporate academies is the Corporate/Community School of America (C/CSA), a not-for-profit coalition of more than 70 corporate entities. C/CSA aims to act as a "break-the-mold" school for inner-city youth. Its Chicago flagship serves as a laboratory for the Chicago Public Schools and as a working model for United States schools under President Bush's New American Schools Development Corporation.[22]

C/CSA is run like a business, with a 15-member board of directors, seven of whom are corporate executives. This inner-city elementary school on Chicago's West Side is financed with approximately $3 million in corporate and foundation grants.

Students are chosen by a random computerized process, and no tuition is charged. The school operates year-round for about $5,100 per pupil each year, slightly less than the $6,000 amount spent per student by the Chicago public school system. So far, standardized tests in 1989, 1990, and 1991 show achievement in basic skills across all levels. By comparison, Chicago public school students have not made the same gains. Of C/CSA's six-year-olds (those who entered the preschool program at age four in 1988), nearly 88 percent are at or above the national grade-level average in reading. Nearly 64 percent test at or above grade level in vocabulary. And 58 percent are at grade level or better in math. By comparison (largely without the preschool advantage) 26 percent of first-graders in Chicago public schools score at or above grade level in reading achievement, 51 percent in vocabulary, and 38 percent in math.[23] See Table 1.

TABLE 1

OLDER STUDENT GRADE-LEVEL PROGRESS

Average achievement expressed as a percentage of national grade-level performance by older students who have been at C/CSA for three years; adjusted to exclude top three performers from each school. Comparison school draws enrollment from the same base.

	VOCABULARY		READING		MATH	
	Older C/CSA Students	CPS Comparison School	Older C/CSA Students	CPS Comparison School	Older C/CSA Students	CPS Comparison Students
1988	54%	41%	51%	56%	58%	77%
1990	70	45	61	52	60	70
1991	71	51	69	47	71	67

Source: Corporate/Community Schools of America, 1991 Progress Report

In response to critics who charge C/CSA handpicks its students, school figures show 80 percent of the children who attend the school are born to single-parent families; 60 percent subsist below federal poverty levels. In addition, the selection process ensures a random cross sample of urban students attend the school.

Since a major aim of the school is to serve as an education laboratory, C/CSA is able to implement innovative features that include year-round instruction, a longer school day, above-standard wages but not tenure for the principal and teachers, day care for children of working parents, a full-time nurse who helps link children and families with community-service agencies, a preschool program for two- and three-year-olds, a nongraded structure so children can work at their own pace, and strong parental and home involvement. C/CSA encourages this involvement by encouraging parents to further their own education. Parents also participate as volunteers in the classroom, cafeteria, and administration.

The long-term aim is to set up a series of these "break-the-mold" schools across the country, linking corporations with educators to run schools like businesses. Meanwhile, Chicago's C/CSA is dependent on educational achievement for future corporate contributions. Each corporation has made a three-year pledge, with the understanding that pledges will be renewed if improved levels of achievement are met.

III. CURRICULUM PUBLIC-PRIVATE PARTNERSHIPS

Education reform efforts in the 1970s focused on what to teach in public education programs. Today, almost all public-school students continue to receive about the same instruction in mathematics, science, reading, languages, social studies, physical education, art and music.

Magnet schools that offer specialized instruction allow both students and faculty to combine in areas of strong interest and to develop increased commitment to learning. Magnet schools currently make up about 25 percent of school-choice programs. They are organized around particular themes: performing or creative arts, vocational or technical education, or learning methods. Unencumbered with having to be all things to all people, magnet schools have so far made impressive academic gains. The Department of Education reports that 80 percent of magnet schools in 15 urban districts showed higher achievement scores than their district averages.[24]

However, in ordinary public schools, especially when funds are short, specialized instruction is not affordable. Consequently, students get no choice. In addition, when qualified teachers cannot be found within the existing teaching force, subjects are either dropped, or unqualified teachers are brought in.

A. Private-Practice Teaching

While school choice addresses the demand side of the education market, private-practice teaching addresses the supply side. Public educators, through no fault of their own, often lack incentives to produce results, to innovate, to be efficient, to make the kinds of difficult changes that private firms operating in a competitive market must make to survive.

Private practice, or contracted teaching, breaks this monopoly and offers benefits to students, schools, and teachers. These include increased competition among education providers, and the availability of parental choice. Contracting out instruction significantly upgrades the professional status of teachers, leading them to be directly accountable to their clients—and either succeed or fail. However, it also demands that they give up the security of tenure and union contracts.

Private teaching practices may take a variety of formats:

- by subject matter, such as foreign languages, math and science, music, or physical education;

- by age groups or grade levels;
- by groups, such as the gifted or remedial;
- by teaching methods such as computer assisted learning.

Specialization enables schools to provide students with high-quality instruction in a narrow area for which hiring a full-time teacher cannot be justified, or when qualified teachers are in short supply. In addition, it also empowers teachers to focus on what they do best, and facilitates flexibility within the school.

Myron Lieberman, author of *Beyond Public Education* and *Privatization and Educational Choice*, notes: "it can reasonably be argued that school boards ought to contract out instruction routinely, not as an extraordinary measure. The very act of employing a teacher tends to tilt the administration in favor of the teacher. Principals, personnel directors, and superintendents do not like to admit that they have employed or retained incompetent teachers. It would be more efficient for the administration—and beneficial to students—to assign the hiring of teachers to a contractor and to devote more board time to policy issues and evaluation of the contractor's services. Certainly, it would often be easier not to rehire a contractor than to dismiss tenured board employees."[25]

Competition and accountability have led to innovation, efficiency, flexibility, and diversity, says Chris Yelich, president and founder of the American Association of Educators in Private Practice. If schools are not happy with the result, the contract is not renewed; private contractors "live or die" by the results they provide. Limited contracting is allowed in Wisconsin, where the American Association of Educators in Private Practice has more than 100 members. Contracting is also permitted in Michigan, Minnesota, Maryland, Florida, Illinois, and North Carolina.[26]

The flexibility and cost-effectiveness offered by contracting out to private-practice teachers provide school districts several advantages:

- Ability to expand programs;
- Easing of overcrowding by holding classes at private sites, for example, in day-care centers;
- Ability to retain existing programs for less money.

Private-practice teaching also enables more teachers trained in alternative certification programs, or those with relevant life or academic experience, to teach. While teachers in private practice, at least at this stage, must be licensed by the state, alternative certification programs have increased from eight in 1983 to 34 in 1989.[27] In addition, private practices are not restricted to teaching just in the schools, but can sell and market their services to business and industry. For example, in Raleigh, North Carolina, one private firm, Dialogos International, most commonly taught corporate executives. Recently, however, Dialogos received a contract with the Wake County Public Schools to teach French, German, Spanish, Italian, Chinese, and Japanese in kindergarten through fifth grade. This was after the state passed a law in 1985 requiring all children in grades K-5 to study a foreign language by the 1994-95 school year. The school board estimates the annual cost of a contract with a Dialogos teacher, at about $19,000, is 30 to 50 percent less than the annual salary of a classroom teacher.[28] In Upper Saddle River, New Jersey, the Robert D. Reynolds School contracts with Berlitz International Inc., to teach languages to first- and second-grade students. The school spends $19,600 annually on the instruction, less than the cost of a full-time teacher. Because the language classes are considered an "enrichment" program rather than regular curriculum, union teachers have not opposed the hiring of Berlitz to teach the classes. Even so, a certified teacher remains in the classroom throughout the lesson.

Few private practitioners at this stage, however, forecast the wholesale replacement of unionized teachers with private-practice teachers. Instead, the concept offers a supplement to schools through which they can offer specialized instruction to students. A 1986 report by Public School Incentives, a Minneapolis-based research organization, states that reaction to private-practice teaching is more positive at the local level than at the state level, and more positive from individual teachers than from teachers' organizations.[29] However, declining teacher union memberships may force unions to redefine their attitude towards private practice, as teachers become more dissatisfied with their unions. A 1983 study by C. Emily Feistritzer, director of the National Center for Education Statistics, found that although 75 percent of teachers with 25 to 29 years of experience are National Education Association members, only 55 percent of those hired in the last five years are members. One-third of the teachers polled were dissatisfied with their national union, 27 percent with their state union, and 21 percent with their local union.[30]

Often, the legality of private-teacher contracting depends on how the school district's lawyer interprets the statutes, and how strong the union's bargaining force is. While many school boards are not specifically prohibited by state school codes from hiring an individual teacher, most are prohibited from competitive bidding. School boards are unable to contract with a private firm that would select and provide teachers, although a distinction exists between just the provision of teachers, and contracting for a complete program that includes teachers. For example, the contract between Wake County Public Schools and Dialogos for language instruction includes both curriculum and teaching staff.

B. *Charter Schools*

Charter schools enable teachers to establish their own public schools under charters issued by state and local education authorities. These schools receive public funds and are accountable for students' performance results. Common characteristics of charter schools include:

- operational autonomy from school boards;
- freedom to hire and fire employees;
- freedom to devise budgets;
- opportunity to develop curriculum.

In June 1991, Minnesota passed a law authorizing the creation of up to eight "charter schools"; similar legislation is being considered in several other states, including California and Connecticut. The Minnesota bill authorizes school boards to sponsor charter schools, in exchange for educational outcomes that meet or exceed state requirements. In fact, in order to have its charter renewed (and thus for state revenues to follow the students to the school), a charter school must meet state performance standards.

The charter schools will be public in the sense that they can't charge tuition and must be nonsectarian. They must also comply with all health, safety, and antidiscrimination laws, and laws relating to the education of handicapped students. The Minnesota law says a charter school "may not limit admission to pupils on the basis of intellectual ability, measures of achievement or aptitude, or athletic ability." Like private schools, however, charter schools' teachers are free to design innovative teaching methods and may limit admission to students within a particular grade level or age group or to "pupils who have a specific affinity for the school's teaching methods, the school's learning philosophy, or a subject," such as math or a foreign language.

In addition to the per pupil state revenues, each charter school is treated as a school district for the purposes of receiving federal funding and can apply for private grants and donations. In Connecticut, proponents of charter-school legislation suggest that charter schools invoice the school system of residence for a proposed 90 percent of per pupil state revenues and that they may choose whether to hire an administrator who would report to the teachers, not the other way around.

Charter-school organizers may form the school either as a nonprofit corporation or as a cooperative. As a nonprofit corporation, the teachers could belong to a union as a separate bargaining unit and could bargain with the school's board of directors. In contrast, as a cooperative, the teachers would own the school as partners (similar to attorneys or doctors who form practices), and there would be no collective bargaining, although teachers in the cooperative could be members of a union for insurance purposes and other benefits. The Minnesota law requires that a school district grant leave of absence to any teacher who requests leave to teach in a charter school.

Charter schools are seen by education choice advocates and opponents alike as middle ground between the existing public-school system and a full school-choice program that allows the flow of public funds to private schools. Charter schools expand the number and type of schools parents may choose from and provide further opportunity for public-private partnerships, especially in the supply of infrastructure by the private sector.

C. *Ombudsman Educational Services's Alternative Education Programs*

High schools dropouts can impose significant costs on society. According to Stanford University researcher Henry Levin, the lifetime cost to society equals about $200,000 per dropout: $20,000 for social services (health, welfare, crime), $50,000 in lost tax revenue, and $130,000 in lost net income to the dropout.[31] His estimate for the national cost of all dropouts ages 25-34 was

$77 billion annually: $71 billion in lost tax revenues, $3 billion for welfare and unemployment, and $3 billion for crime prevention.

Public-private partnerships offer a cost-effective option for addressing this problem. Approximately 40 percent of dropout students who attend these programs re-enroll in public schools, increasing the school's attendance entitlement monies from the state. The success of public-private partnership programs indicates that schools neither have to allocate scarce resources to design special programs, nor train special education teachers.

One firm that contracts with school districts to provide dropout education is Ombudsman Educational Services. A private, for-profit firm that contracts with more than 70 school districts to educate drop-out students, Ombudsman boasts a retention rate of almost 90 percent. Equally important, the firm accomplishes this at a lower cost than the average per-student sum in public schools.

Ombudsman has contracted with school districts since 1975 and now offers alternative programs for almost 2,000 high-risk and drop-out students in Illinois, Arizona, and Minnesota. The districts retain state aid for students—often up to $3,000 more than Ombudsman's $3,000 to $4,000 student-contract fee. Moreover, the districts have no additional costs for benefits, salary schedules, administration, buildings, supplies and maintenance.

Contracting for alternative education is more than twice as cost-effective as running a district-sponsored program, says Ombudsman president James Boyle. For example, an average district-sponsored program in 1991-92 cost $428,000 for 60 students—a cost of $7,200 per student; next year, 1993-94, the cost is anticipated to rise to $492,000 or $8,200 per student compared to the $3,000 to $4,000 that Ombudsman receives.[32] Ombudsman provides savings in six main areas:

- Research and development;
- Building space;
- Maintenance, utilities, and janitorial costs;
- Salary for teaching staff (average salary: $26,000 for 180 days);
- Employee benefits;
- Materials and supplies.

Ombudsman's schools are usually in shopping centers or business and industrial parks. Classes are staffed by certificated teachers, and the pupil-teacher ratio is no higher than 10 to 1. Each student is assessed in English, reading, and mathematics before entering the program. Individualized instruction programs are then developed by Ombudsman in conjunction with the student's local school. Students work at their own pace three hours each day, five days a week, receiving lessons and tests on video-display terminals, entering the program at the grade level at which they are functioning in the basic skills. Students enroll in an Ombudsman program either on a private-tuition basis, or are referred by a participating district.

Two years ago, Ombudsman campaigned other businesses to support drop-out education, resulting in partnerships between corporations and school districts to educate drop-out students. President James Boyle believes these public/private partnerships are one of the optimum ways for business to give money to the public schools because Ombudsman is accountable for the success and retention of its students. The firm aims to graduate each student with a high school diploma and must make regular reports on student attendance to the student's former schools, information ultimately included in district-attendance accounting submitted to the State Department of Education. It is this attendance accounting that ensures that schools continue to receive entitlement monies from the state for students attending the Ombudsman program.

IV. METHODS OF PRIVATE-SECTOR FINANCING

The rise of public/private partnerships does not imply that governments renege on their obligations to support public education from tax funds. However, the actual provision of education functions can be decentralized and contracted out to private organizations; deregulation is an implicit precondition for widespread private-sector involvement.

A. Business-Funded Voucher Program

Private-sector financing, such as the low-income voucher programs sponsored by Golden Rule Insurance in Indianapolis; by Kenetic Concepts, Inc., USAA Federal Savings Bank, and San Antonio Express in San Antonio; by Partners Advancing Values in Education and the Lynde and Harry Bradley Foundation in Milwaukee; and by the Vandenberg Foundation in Michigan, plays an integral role in education reform. These voucher plans create incentives for parents to investigate schools, and for schools to respond to parents' preferences. By expanding the set of available schools, private voucher systems enable families to make better education choices for their children. For example, in Indianapolis, 98 percent of the 500 voucher students are enrolled in parochial schools, a decision parents could not have made under any choice program restricted to public schools. By providing financing through vouchers, business leaders, who have historically invested billions of dollars in public education with minimal results, have an opportunity to influence education in a way not previously possible.

B. New American Schools Development Corporation

More than 30 businesses, think tanks, educators, policymakers, and social service agencies have applied for grants of up to $3 million each as a result of the New American Schools Development Corporation (NASDC), the largest nonfederally funded education project in U.S. history.[33] The nonprofit company, established in 1991 at President Bush's request, aims to draw some of the country's most innovative minds to create new American schools. Winners will use the grants to draw up overall education plans. Later, they will compete for a second round of about 15 grants to carry out their strategies in real school districts. NASDC needs at least $200 million to fund the new schools; earlier this year $43 million had been raised from private donations.

C. The Edison Project

The Edison Project, a $60-million plan to redesign American schools and use the knowledge gathered over a two-year research program, aims to fund a chain of 200 for-profit schools across the country by 1996. The Edison Project will be funded by Whittle Communications, Time Warner, Philips Electronics, and Associated Newspaper Holdings. Chairman and founder of Whittle Communications, Chris Whittle estimates that $2.5 billion to $3 billion will be required to open the first 200 "new American schools."[34] By the year 2010, Whittle is aiming for 1,000 campuses, each with day care facilities and elementary, middle, and high schools. Whittle may finance his for-profit schools by selling advertising that would appear in the halls, in texts, and any broadcasting feeds from his existing Channel One television program to schools; he may also seek state and local education funds where education-choice programs allow.

D. Boston University with Chelsea Public Schools

Boston University's 10-year contract to manage the Chelsea Public Schools depends on $5 million in private grants and donations. The plan, which turned over the management of one of the most impoverished school districts in the nation to Boston University, marks the first time in U.S. history that a private university has run a public school system. When Boston University took over the Chelsea Schools in 1989, the district was facing a financial crisis and a budget shortfall. In addition, students from the district tested among the lowest in the state for basic skills, and the average annual income for a Chelsea household is $10,000. Boston University's plan includes "family school" programs such as daycare, preschool classes, job training for parents, and courses in English as a second language for adults. It also plans to redesign the schools' curricula, eliminate junior high school, and extend elementary school through eighth grade. The university made a one-time payment of $400,000 to the district to raise teachers' salaries by five percent; any other additional funds must come from the private sector.[35]

CONCLUSION

Much of the private sector's attempts to help schools amount to well-intentioned donations of time, equipment, and money, not always bound by the critical link of accountability. John F. Akers, chairman of IBM Corporation and the Business Roundtable Education Task Force writes: "Accountability is rooted in the idea of measurements. Business employees are constantly measured, trained and retrained, and it makes no sense to exempt education from this worthy principle. We are reaching for higher standards—a world-class education force—and accountability should threaten no conscientious instructor."[36]

Most early public-private partnerships have focused on inputs, or money spent, rather than outputs or results. However, a shift away from ad hoc donations to partnerships tied to accountability is evident as more businesses recognize opportunities to affect educational standards. In the case of the ABIG satellite school in Miami, Florida, public-private partnerships can provide benefits to businesses in terms of improving employee retention and attendance.

However, widescale public-private partnerships will depend on school districts' willingness to contract out in areas traditionally handled by the schools or districts themselves—before they are forced to do so by eroding budgets. EAI research shows few schools will even consider private management until forced into it by unmanageable fiscal constraints. Partnerships therefore offer a way for public schools to secure new resources in times of constrained resources.

The legislative environment in many states currently restricts the emergence of innovative responses. For example, the Metropolitan Learning Alliance in Minnesota would not be possible without the state's open enrollment policy, whereby state education funds follow the students to their place of learning. Many states and school districts are looking closely at the research and details of public-school choice programs, and are increasingly recognizing that choice programs provide opportunities for educators to create innovative programs. More than 20 states have taken steps to implement some choice in their public-school systems.

Union opposition to privatized instruction is a major hurdle, although it appears that by renaming teachers as "mentors" and programs as "curriculum enhancement," opportunities exist for private-practice teachers and firms, such as WIST and Ombudsman. Charter-school legislation, too, will lead to further innovations in public-private partnerships.

Public-private partnerships have proven a useful tool for school districts to achieve costs savings, meet infrastructure needs, and improve academic standards, while also maintaining public-school services. With school districts across the United States facing tight fiscal constraints, the potential of public-private partnerships in education is great. Thus, states should examine more closely those forms of public-private partnerships that offer mechanisms for ensuring accountability, including:

- Contracting out some instructional services;
- Introducing charter school legislation;
- Allowing interdistrict school choice;
- Promoting private provision of infrastructure;
- Contracting out private school management.

About the Author

Anna David is a consultant to the Reason Foundation's Education Studies Program. She has been involved in United States education policy as an analyst and writer since joining the Reason Foundation in 1991. Prior to that she was an education consultant and writer in New Zealand, where nation-wide public school choice was introduced into both elementary and secondary schools. Anna was a journalism major at the Auckland Institute of Technology and has a graduate degree in business from the University of Auckland.

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